Exhibit 22

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Apple and Kmart highlight a busy week in the convertibles markets...

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Hooked on Drugs Bill Alpert

Why do insurers pay such outrageous sums for pharmaceuticals? It's a crucial question in health care, where insiders joke that AWP, the acronym for "average wholesale price," really means "ain't what's paid."

High Stakes steven J. Viuker

Dozens of companies across the U.S. are salivating at the prospect of interactive gambling via computer, TV or telephone. But don't bet the ranch that the doors of the global electronic casino will swing open soon.

Boring Doubles Kathryn M. Welling

AN INTERVIEW WITH MARK BOYAR . Even in today's market, this money manager finds plenty of neglected stocks with the potential to double or better over the next few years. A kind word for Playboy. Why Time Warner is a winner.

Russia's New Face Maggie Mahar

Regardless of whether Boris Yeltsin or his Communist rival, Germady Zyuganov, wins the coming election, capitalism will keep advancing in the land that once was its greatest foe. Lingering woes, real progress. The 59-year lifespan. Where have all the homeless pensioners gone?

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UP & DOWN WALL STREET Alon Abelson Al and Raul Why it's tough for public servants to make ends meet. Pressure on Presstek.

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A Tasty Snack Nabisco Holdings whips up a dividend

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Hooked on Drugs

Why do insurers pay such outrageous prices for pharmaceuticals?

BY BILL ALPERT • Jim Fanning saw the plaque in a doctor's splendid home: "This is the house that leucovorin built." Leucovorin is one of the cancer drugs that typifies a basic drug-industry pricing convention that, in Fanning's view, is a multibillion-dollar fraud. Fanning, the pharmacy director of Fort Worth-based ChemoLab, isn't alone in criticizing the published

wisolesals prices that most insurers, public and private use in determining how much to pay for pharmaceuticals. For many drugs, especially the growing numbers coming off patent and going generic, the drug providers actually pay wholesals prices that are 60%-90% below the so-called average wholesals price, or AWP, used in reimbursement claims.

But Medicare, one of the largest insurers that still reimburses at AWP, is about to demand a change. The huge federal health-insurance program, trying to forestall insolventy, soon will propose regulations simed at cutting the smount it lays out for the nearly \$2 billion in sinual drug claims it covers outside of hospitals. The move — especially if it is followed by others now paying near AWP for drugs — will attack from a new direction the pricing practices of a drug industry already beset by sunfiture suits from retail drugstores. It also could upset a large segment of the health-care industry, which has thrived on the lugs spread between the published wholeside prices used in insurance claims and the far lower wholesale prices

actually paid.

That segment includes oncology practices, respiratory therapy firms and home-influidor companies. It also includes the drug makers themselves, whose allegody inflated price lists and the opportunity for profiteering that they afford to middlemen, gain them market share and encourage overuse of their products. Among the publicly traded companies that could be affected Apria. Healthcare Groop, Lineare Holdings, RoTech Medical, OmniCare, Abbott Laboraturies and Baxter Interpotional

Most people don't even know that Medicars pays for pharmaceuticals and related products, but through plecemeal congressional authorizations, the program now covers certain drugs for emphysems, cahear, kidney dialysis and organ transplantation, often requiring injection; While still barely 12- of its nearly \$184 billion in 1995 apending. Medicare's outpettent drug bill (not inchiding op-payments) was \$1.5 billion has year, double 1992's level.

Under its current regulations, Medi-

Under the current regulations, Medicare provides reimbursement for those drugs at the lesses of either he estimate of what the drugs cost the doctors or the Average Wholesale Price.

. .

But Medicare's attempts to survey.

doctors for their costs have been stymied by federal paperwork rules, so it reinburses at the AWP.

Like most drug buyers focused on average wholesale price, Medicare looks to compendia such as the Red Book, put out mouthly by Medical Economics, of Montrale, N.J., or the rival Blue Book published by First DataBank, a Hearst subsidiary in San Bruno, Calif. Only after Medicare's drug bill started to rocket did policy makers at the Department of Health and Human Services start closely scrutinizing liter AWP payments.

They've asked the department's inspector general's office to examine how Medicare suppliers' true acquisition costs square with the program's reimburgement levels.

Claims for nebulizer drugs, the inhalants used by many asthma and emphysems sufferers, were the first studied by the auditors. From under \$80 million in 1982, Medicare's annual bill for inhalation drugs grew to \$250 million last year, most of it for a steroid called allusterol

white with the

sulfate.

In a report released Thursday, the inspector general's office stated that the medical-equipment firms that Medicare reimburses at an average wholesale price-derived 40-43 cents per millifler actually paid less than half that, on average; just 19 cents.

The report asserted that Medicare could have saved about \$90 million if its reimbursements had been based on actual wholesale prices over the 14 months covered by the study.

Another report by the inspector general produced a similar finding for feeding tube liquids, like the market-leading Ensure products of Abbott Labs. These, the IG found, cost nursing homes 42% less than the price that Medicare bases its raimbursements on. Such products cost Medicare and its beneficiaries several hundred million dollars a year.

The inspector general currently is looking at prices for highlicket drugs and intraspensor liquids, too. Bearon's has done the same in an examination of

the top 20 Medicare drugs (which account for about 75% of the program's drug spending), as well as for various intravenous solutions. Our study shows that for many drugs coming off-patent, the sverage wholesale prices in nit way represents the true wholesale price.

For about 800 close forms of the drugs, Barrows got the AWPs from the Red Book and the Base Book. Then, we collected current quotes or price lists from several landing whole-saler specializing in salesto doctors, home health firms, mursing homes and hospitals.

These wholesalers included: The Oncology Therapeutics Network, a South San Francisco-based joint venture of Bristol-Myers Squille and Axion; Florida Infusion Services of Palm Harbor, Fla; National Specialty Services, of Naskville; and UltraCare, of Overhand Park, Kan Prices also came in from the Boulder, Colo., hospital buying group Vista Purchasing Paymers.

This sampling aboved that for singlesource drugs will enjoying patent protection, such as Bristol Myers Southin Taxolog Platino, true wholesale prices are generally 10%-20% below, published AWPs.

But for generic drugs, nearly every manufacturer's piles was 1604, 56% below the published everyor required price. Some of the generies account for significant spending by Medicare, chaining half of the top 20 slots. Two of them, allustred and sectoricity, are in the No. 2 and No. 5 slots, respectively.

Pricing is even more inrest worse for intravenous mutilionals and solutions, a rategory dominated by Abbott Laboratories and Bayter International Catalog wholesale prices for these items are, on average, 30% 33% below those companies AWPs.

The prices from the different wholesalers were closely bunched "There are really no special desits out there," contends Faming, who keys plenty of drugs at wholesald himself.

If most health-care providers can get these prices; is it my wonder an industry wag says that AWP really means "Ain't What's Paid"?

the light prices on generic drugs have led hivestigators to seek the source of the published AWPs; thack in 1862, major drug manufacturers fold the inspector general's office that the Red Book, not the manufacturers, determined the AWP, But Red Book officials blamed the manufacturers.

The answers are the same today.

Phil Southerd, associate product
manager of the Red Book says it publishes prices that are faced right from

AWP. AIN'T WHAT'S PAID

PA sample of drugs whose published Average Whotesale Price is widly above the wholesale price available to almost any buyer. Some of these AWPs actually have risen, while real wholesale prices have plummeted. Publishers say drug makers dictate AWPs.

Dexorablein HCL powder, 10 mg injectable Eteposide 100 mg in 5 ml for injection	Chemotherapy Chemotherapy	Adria Labs*	\$45,00	·\$13.00	725
Eteposide 100 mg ks		·			,.,
		Gensia	141.97	34.00	76
Gentamicin Sulfate, 100 mg in 18 mi injection	Antibiotic	Abbott	6.18	1.26	. 85
Intravenous limmune Globulin, 10 mg	Chemotherapy	Bauter ,	640.71	266.00	58
Leucovoria Calcium, 350 mg injection	Chemotherapy	Immunex	137.94	22.50	И
Methotraxate 250 mg	Chemotherapy	Chiron	26.88	6.40	76
Vancemycin HCL 5 gm in 100 ml injection	Antibiotic	Abbott	135.99	36.00	74
fincristine Sulfate 1 mg	Chemotherapy	EILIN	34.62	6.72	H
1.5% Amino Acid sol., 100 mi for parenteral autr.	O TPN	Abbott	152.65	10.01	. 93
10% Daxtress Sol., 100 mil in glass	Intravenous Sol	Baxter	27,03 Z	2.58	91
actated Mager's Injection 500 mil	n, Intravenous Sol	Baxter	11:16	1.61	86
Normissol 509 ml Potasskim Phosphate,	Intravenous Sol	Abbott	, 16.86 . 5.55	******	88 91
15 and viel Unit of Research Upjobs	unievelionz zot	ADDOR	, 3.33	- 0.48	4

the manufacturers. he insists.

Ed Edelstein, Blue Book editor, says that, while some brand-name firms don't give him prices, generic firms do. "The AWP is the manufacturer's suggested wholesale price," he says. "It's our edito-

rial policy to go along with that."

But Immunex, with a thriving generic cancer drug business, says its average wholesale prices aren't its own. "The drug manufacturers have no control over the AWPs published ...," says spokeswoman Valerie Dowell.

A maker of generic inhalants gives a different answer, but off the record: The AWPs typically originate with the manufacturer.

More puzzling is the way generic AWPs stay at their lofty perches, or even rise, as competition forces a drug's true wholesale price into the abyes. "The reason this is happening," suggests Michael Nell, pharmacy program adminis-trator of Medi-Cal, California's Medicaid agency, "Is that most folks in a position to - even state Medicald programs and mark for reinbur

In 1993, the Bristol-Myers Squibb cancer drug Vepenid came off-patent, opening the market for a generic form called etoposide. A 100-milligram dose of Vepesid had an AWP of about \$186. The first generic etoposide was Gensia Phar-maceutical's, with a market price of about \$75, but the AWP of \$142.

The second generic to market, from Pharmacia, pushed the market price to \$60, but Pharmacia set an AWP around

Some of these firms make drugs, or bill insurers for drugs, that cost far less than the published Average Wholesale Price that Medicare and other Insurers pay on claims. Says one wholesaler: "It may be legal, but it's certainly not ethical."

Company	Symbol	Exchange	Recent Price	Medicare Reimbursement Change Might Affect
Abbott Labs	ABT	NYSE	435%	Medicare buys \$500 million of Lupron; also \$100s-of-millions of nutritionals
American Home Prods	AHOM	NNM	45 /2	Medicare/Medicaid pay for 60% of firm's respiratory and infusion services revenues
American Oncology Resources	AORI	MMM	441/4	One-third of revenues from Medicare/ Medicaid; chemo drugs a big profit center
Amgen	AMGN	NNM	€0,\v	\$75 million in Medicare payments for Neupogen = 10% of drug's U.S. sales
Baxter international	BAX	NYSE	45 ⁷ /a	Government demands rationale for its published prices on intravenous products
Bristol Myers Squibb	BMY	NYSE	88 ³ /4	Cancer drugs a mainstay: Medicare bought about 25% of U.S. sales of Taxol
Chiron	CHIR	MNM	97	Cancer drugs approx 5% of sales
Coram	CRH	NYSE	41/2	One-third of revenues from nutritional therapy; 27% of payments from Medicare/Medicaid
Genela	GNSA	NNM	5%	Largest product is generic etopositie; just got approval for generic doxorubicin
Immunex	MNX	NNM	15/2	Cancer collaboration with American Home Products; leucovorin a \$20 million product
Lincare Holdings	LINCR	NNM >	- 41 ³ /4	60% of revenues from Medicare/Medicaid, who are after firm's 85% gross margins
Omnicaria	OCR	NYSE	56	Nursing home pharmacy gets 50% of sales from Medicald/Medicare; expanding in infusion business
Pharmatia-UpJohn	PNU	NYSE	42%	Cancer drugs approx. 9% of drug sales
Physician Practice Management	PHYN	NINIM	493/4	45% of revenues from Medicare/ Medicaid; chemo drugs a big profit center
RoTech	ROTC	NNM	193/4	50% of revenues Medicare/Medicald; 6% from chemo and nutrition therapy

\$140. Today, the market price for 100 milligrams of etoposide is around \$35, but Gensia actually raised its AWP last year by about 10%.

When some drug as doctor, says another Medicald adminis-trator, the salesperson lets the doctor know that his product has a bigger spread between AWP and the real price than any other generic firm.

If manufacturers deliberately maintain lofty AWPs on their generic drugs, it directly profits their customers, not them. Of course, the drug makers might then gain market share and higher sales from their customers' over-utilization

Indeed, for makers of generics, unreal average wholesale prices pose a class dilemma. If some, but not all, rectify their AWPs, the honest makers cut their own throats. "Manufacturers have told me that if they act on their own they'll dry up their own business," says Medi-Cal's Neff. "If I'm a buyer and one drug gives me 20% higher reimbursement, who am I going to go with?"

Some insurers, including Medicare, decree maximum prices for each generic drug, to avoid the alleged manipulation of AWPs. But it takes a year or so to establish a maximum price for new generics, and insurers haven't gotten around to setting prices for many doses.

"There definitely is over-utilization of these products," acknowledges a maker of inhalation drugs. "Because HCFA [the Health Care Financing Administration, the federal Medicare-Medicaid agency] is paying a somewhat arbitrary price, this has been discussed for almost three years.

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It's not rocket science; what's taken them so long?"

Some of the inspector general's investigators believe they've been played for fools. "We trusted the industry and the providers," says one investigator, off the record. "We didn't know how pervasive the discounting was. We thought it was available to just select providers."

Now, the Justice Department is serving "civil investigative demands" – a kind of subposens in antibrust investigations – on manufacturers, asking them how those inaccurate AWTs wind up in the Red Book and Blue Book.

Baxter has received one, according to investigators, for its intravenous solutions.

If most health-care providers can get much lower prices for pharmaceuticals than insurers do, is it any wonder that an industry wag says that "average wholesale price" really stands for "ain't what's paid"?

whose true wholesale prices—like those of rival Abbott—seem to be 90% below the average wholesale price. Baxter wouldn't comment to Barron's. "The drug makers created false statements so that the doctors could make hundreds of millions of dollars," maintains an angry investigator. "If OIG doesn't get them, the Justice Department will."

Some investigators view the spreads guaranteed by extreme average wholesale prices as a kind of kickback to doctors, in violation of federal laws.

One group of infusion-industry veterans is reportedly considering attacking the problem by filing a private suit under the False Claims Act. This is the whistleblower law that allows citizens with knowledge of fraud against the government to use on behalf of the government and share in the recovery.

Meanwhile, the cooler-headed policymakers at the inspector general's office and in HCFA are reconsidering Medicare's drug reimbursement rules. They plan to propose their changes in the Federal Register soon.

"Medicare's been paying too much for our drugs," says deputy inspector general George Grob. "We're paying the window-sticker price when everybody else wants a discount and is getting it."

Tom Alt, of HCFA's Bureau of Policy Development, notes that any savings for Medicare will mean savings for beneficiaries, who are kicking in 20% co-payments at current Medicare prices.

Any reduction in reimbursement levels probably would have some effect on the firms that enjoy the spreads between everyday low wholesale prices and the average wholesale prices at which Uncie Sant reimburses them.

That includes oncology practice-management firms like American Oncology Resources and Physician Reliance Network, which earn significant profits on the chemotherapy drugs they administer to cancer patients. Likewise, respiratory-therapy and infusion firms like American HomePatient, Apris Healtheare, Coram Healthcare, Lincare Holdings and Re-Tech Medical, which owe their sensational profit margins, to various degrees, to their drug spraads.

Then, there are the drug makers themselves, including Abbott, Baxter, Chiron, Genzia and Immunex – all with wide AWP spreads on their generic offerings.

Dr. H. Merrick Reese, the CEO of Physician Reliance, says he doubts that HCFA plans to cut reimbousement rates for cancer drugs, which he says his firm marks up only modestly.

marks up only modestly.

More likely, Medicare will go after the inhalation drugs like albuterol, says Dr. Joseph Bailes, who chairs the clinical practice committee of the American Society of Clinical Oncology.

ChemoLabe is doing what it can to ensure that the AWP tricksters start running out of fools. Located near Fort Worth Airport, Fanning's firm will supply chespotherapy drugs for insurers, shipping doses to oncologists as needed, and for a fraction of the average wholesale price.

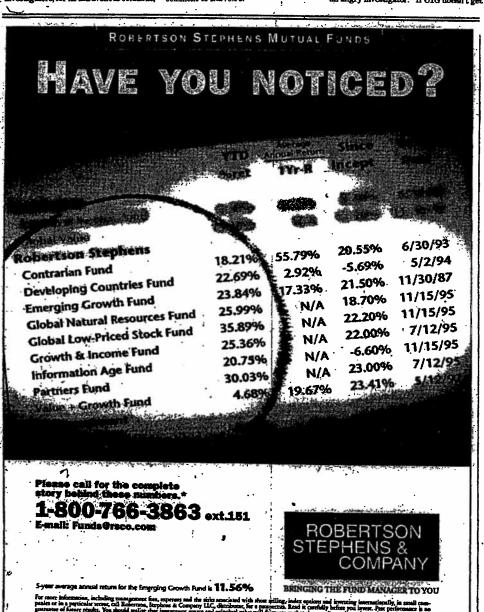
And the most aggressive public insurers, including Medicaid programs in six states, are turning their backs on AWP.

They now have their drug payments on WP.
They now have their drug payments on WAC—the Wholesale Acquisition Cost actually paid by medical-care providers.

Blue Book editor Edelstein warns,

Blue Book editor Edelstein warns, however, that this won't end the game. "Then the manufacturers will just start fooling around with that price," he warns.

For now, says Fanning, the ChemoLab pharmacist, the bonanca drug is etoposide. Someday, he expects to see a plaque saying: "This is the house that etoposide built "as



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Cheryl Strauss Binhorn



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COVER STORIES

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Fla.; National Specialty Services, of ida Infusion Services of Palm Bristol-Myers Squibb and Axion; Florcology Therapeutics Network, a South San Francisco-based joint venture of Boulder, Colo, hospital buying group Vista Purchasing Partners These wholesalers included: The On-

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Drug	U	Maker	4MV 56.	Wholesale	% Under
Doxorubicin HCL	Chemotherapy	Adria Labs*	\$46.00	\$13.00	72%
powder, 10 mg injectable	į	·		•	
Etoposide 100 mg in	Chemotherapy	Gensia	141.97	34. 8	76
5 ml for injection			•		:
Gentamicin Sulfate,	Antibiotic	Abbott	6.18	1.26	8
100 mg in 10 ml injection	•		-		
Intravenous Immune	Chemotherapy	Baxter	640.71	266.00	æ
Globulin, 10 mg					
Leucovorin Calcium,	Chemotherapy	immunex	137.94	22.50	2
350 mg Injection					
Methotrexate 250 mg	Chemotherapy	Chiron	26.88	6.40	76
Injection	Ą		·		
Vancomycin HCL 5 gm	Antibiotic	Abbott	135.99	36.00	7,4
in 100 ml injection					
Vincristine Sulfate 1 mg	Chemotherapy	Alin 113	34.62	6.72	ᅈ
Injection ·			,	<u>ٺ</u>	
8.5% Amino Acid sol., 1000	TPN	Abbott	152.65	. 10.81	93
mi for parenteral nutr.					
50% Dextrose Sol.,	Intravenous Sol	Baxter	. 27,03	. 2.56	9
500 mi in glass		٠	e ^{je} s,		
Lactated Ringer's Injection,	intravenous Sol	Baxter	11.16	1.61	8
500 ml				•	_
Normasol 500 ml	intravenous Sol	Abbott	16.86	2.04	88
Potassium Phosphate,	Intravenous Sol	Abbott	5.55	0.48	9
15 ml vial		.•.			-
* Unit of Pharmacia-Upjohn			•	•	, mark

Nashville; and UltraCare, of Overland Park, Kan. Prices also came in from the Vista Purchasing Partners. Boulder, Colo., hospital buying group

are generally 10%-20% below published Taxol or Platinol, true wholesale prices source drugs still enjoying patent pro-tection, such as Bristol-Myers Squibble This sampling showed that for single-

significant spending by Medicare, claimlow the published average wholesale manufacturer's price was 60%-85% bealbuterol and leucovorin, are in the No. 2 price. Some of the generics account for ing half of the top 20 slots. Two of them, and No. 5 slots, respectively. But for generic drugs, nearly every

companies' AWPs. are, on average, 80%-98% below those Catalog wholesale prices for these items for intravenous nutritionals and solu-Laboratories and Baxter International tions, a category dominated by Abboth Pricing is even more unreal worse

tends Fanning, who buys plenty of drugs really no special deals out there," consalers were closely bunched. There are at wholesale himself. The prices from the different whole-

means "Ain't What's Paid"? get these prices, is it any wonder an industry wag says that AWP really If most health-care providers can

of the published AWPs. Back in 1992, major drug manufacturers told the inspector general's office that the Book, not the manufacturers, deter-mined the AWP. But Red Book officials blamed the manufacturers. have led investigators to seek the source The high prices on generic drugs Red

lishes prices that are faxed right from manager of the Red Book, says it pub-Phil Southerd, associate product The answers are the same today,

Sources: 1995 Red Book; Florida Infusion;

manufacturers. "They're not Ê

rial policy to go along with that." wholesale price," he says. "It's our edito-AWP is the manufacturer's suggested give him prices, generic firms do. "The hat, while some brand-name firms don't Ed Edelstein, Blue Book editor, says

woman Valerie Dowell the AWPs published ...," says spokeswholesale prices aren't its own. cancer-drug business, says its average drug manufacturers have no control over But Immunex, with a thriving generic

manufacturer." different answer, but off the record: "The AWPs typically originate with the A maker of generic inhalants gives a More puzzling is the way generic

chael Neff, pharmacy program adminis-trator of Medi-Cal, California's Medicaid reason this is happening," suggests Miwholesale price into the abyss. mark for reimbursement." AWPs stay at their lofty perches, or even say — even state Medicaid programs and agency, "is that most folks in a position to use, as competition forces a drug's true MOs - generally use AWP as a bench-

\$75, but the AWP of \$142. opening the market for a generic form maceutical's, with a market price of about called etoposide. A 100-milligram dose of cancer drug Vepesid came off-patent, irst generic etoposide was Gensia Pharrepesid had an AWP of about \$136. The In 1998, the Bristal-Myers Squibb

Pharmacia, pushed the market price to The second generic to market, from but Pharmacia set an AWP around

FALSE CLAIMS?

pay on claims. Says one wholesaler: "It may be legal, but it's certainly not ethical." than the published Average Wholesale Price that Medicare and other insurers ►Some of these firms make drugs, or bill insurers for drugs, that cost far less

¿ Source: Company rep			, ,	
6% from chemo and nutrition therapy			3	
50% of revenues Medicare/Medicaid;	193/4	NN.	ROTC	RoTech
center				***************************************
Medicaid; chemo drugs a big profit				Management
45% of revenues from Medicare/	493/4	NNX NNX	PHYN	Physician Practice
Cancer drugs approx. 9% of drug sales	42%	NYSE	200	Pharmacia-UpJohn
infusion business			-	
from Medicaid/Medicare; expanding in		٠	*1****	
Nursing home pharmacy gets 50% of sales	56	NYSE	Š	Omnicare
who are after firm's 85% gross margins				***************************************
60% of revenues from Medicare/Medicaid, "	413/4	MNN	NCR	Lineare Holdings
Products; leucovorin a \$20 million product			L.	***************************************
Cancer collaboration with American Home	151/2	MNN	XNX	immunex .
got approval for generic doxorubicin				***************************************
Largest product is generic etoposide; just	53/8	NNN	GNSA	Gensia
Wedicare/Medicaid				***************************************
therapy; 27% of payments from				
One-third of revenues from nutritional	41/2	NYSE	윺	Coram
Cancer drugs approx 5% of sales	97	NNN		Chiron
bought about 25% of U.S. sales of Taxol				
Cancer drugs a mainstay: Medicare	883/8	NYSE	BMY	Bristol-Myers Squibb
published prices on intravenous products	: *			
Government demands rationale for its	46//8	NYSE	BAX	Baxter international
Neupogen = 10% of drug's U.S. sales	¢	:		***************************************
\$75 million in Medicare payments for	601/2	MNN	AMGN	Amgen
Medicaid; chemo drugs a big profit center	:		:	Resources
One-third of revenues from Medicare/	441/4	NNN	AOR!	_
respiratory and infusion services revenues		:	•	Progs
Medicare/Medicaid pay for 60% of firm's	451/2	ZZ	MOM	American Home
also \$100s-of-millions of nutritionals	į	;	:	
Medicare buys \$500 million of Lupron;	43 ⁵ /n	NYSE	ABT	Abbott Labs
Change Might Affect	T C	Exchange	Symbol	Company
Medicare Reimbursement	Recent		- 1	

year by about 10%, but Gensia actually raised its AWP milligrams of etoposide is around \$35; the market price for 100

lune 10, 1996

spread between AWP and the real price know that his product has a bigger trator, the salesperson lets the doctor than any other generic firm. doctor, says another Medicaid adminis-When some drug salespeople visit a

their customers' over-utilization. gain market share and higher sales from Of course, the drug makers might then directly profits their customers, not them. lofty AWPs on their generic drugs, it indeed, for makers of generics, unreal If manufacturers deliberately maintain

decree maximum prices for each generic am I going to go with?" dry up their own business," says Mediaverage wholesale prices pose a classic gives me 20% higher reinbursement, who told me that if they act on their own they'll their own throats. "Manufacturers have rectify their AWPs, the honest makers cu social dilemma. If some, but not all Cal's Neff. "If I'm a buyer and one drug Some insurers, including Medicare,

drug, to avoid the alleged manipulation of AWPs. But it takes a year or so to

to setting prices for many doses.

nerics, and insurers haven't gotten around establish a maximum price for new ge-

the federal Medicare-Medicaid agency) is Health Care Financing Administration, inhalation drugs, "Because HCFA [the these products," acknowledges a maker of paying a somewhat arbitrary price, this as been discussed for almost three years. "There definitely is over-utilization of

L. L. 116 1 5611.1.165 1511.1

t's not rocket science; what's taken them

the discounting was. We thought it was record. "We didn't know how pervasive providers," says one investigator, off the ivailable to just select providers." ools. "We trusted the industry and the igators believe they've been played for Some of the inspector general's inves Now, the Justice Department is serv-

manufacturers, asking them how those in-Book and Blue Book. accurate AWPs wind up in the Red of subpoens in antitrust investigations—on ing "civil investigative demands" – a kind

investigators, for its intravenous solutions, Baxter has received one, according to

> industry wag says that "average wholesale price" really stands for "ain't what's paid"?

average wholesale price. Baxter wouldn't comment to Barron's. whose true wholesale prices - like those of rival Abbott — seem to be 90% below the

hundreds of millions of dollars," maintains an angry investigator. "If OIG doesn't get ments so that the doctors could make "The drug makers created false state

If most health-care providers can get much lower prices for pharmaceuticals than insurers do, is it any wonder that an

ROBERTSON STEPHENS MUTUAL FUNDS 55,79% 2020% -5.69% 20.55%

hem, the Justice Department will."

June 10, 1996

violation of federal laws. prices as a kind of kickback to doctors, in guaranteed by extreme average wholesale Some investigators view the spreads

under the False Claims Act. This is the erans is reportedly considering attacking whistleblower law that allows citizens with and share in the recovery. ment to sue on behalf of the government knowledge of fraud against the governthe problem by filing a private sui One group of infusion-industry vet

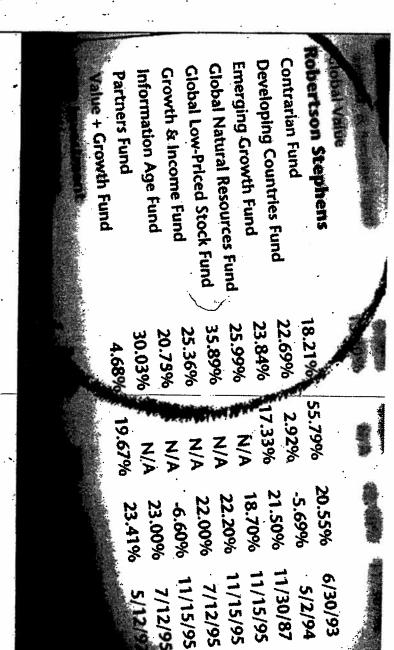
care's drug reimbursement rules. Federal Register soon. plan to propose their changes in and in HCFA are reconsidering Medi makers at the inspector general's office Meanwhile, the cooler-headed policy

"Medicare's been paying too much for

our drugs," says deputy inspector genwindow-sticker price when everybody else wants a discount and is getting it." eral George Grob. "We're paying Medicare will mean savings for benefi-Development, notes that any savings for Tom Alt, of HCFA's Bureau of Policy

average wholesale prices at which Uncle Sair reimburses them. everyday low wholesale prices and the ments at current Medicare prices. firms that enjoy the spreads between probably would have some effect on the ciaries, who are kicking in 20% co-pay-Any reduction in reimbursement levels

Tech Medical, which owe their sensations HomePatient, Apria Healthcare, Coram therapy and infusion firms like American work, which earn significant profits on agement firms like American Oncology Healthcare, Lincare Holdings and Ko to cancer patients. Likewise, respiratorythe chemotherapy drugs they administer Resources and Physician Reliance Net-That includes oncology practice man-



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> HomePatient, Apria Healthcare, Coram to cancer patients. Likewise, respiratorythe chemotherapy drugs they, administer work, which earn significant profits on drug spreads. profit margins, to various degrees, to their Tech Medical, which owe their sensational Healthcare, Lincare Holdings and Rotherapy and infusion firms like American

spreads on their generic offerings. selves, including Abbott, Baxter, Chiron Gensia and Immunex — all with wide AWP Then, there are the drug makers them-

marks up only modestly. for cancer drugs, which he says his firm HCFA plans to cut reimbursement rates Physician Reliance, says he doubts that Dr. H. Merrick Reese, the CEO of

ety of Clinical Oncology. practice committee of the American Soci inhalation drugs like albuterol, says Dr loseph Bailes, who chairs the clinical More likely, Medicare will go after the

ensure that the AWP tricksters star for a fraction of the average wholesale ping doses to oncologists as needed, and chemotherapy drugs for insurers, ship-Worth Airport, Fanning's firm will supply running out of fools. Located near For ChemoLabs is doing what it can to

states, are turning their backs on AWP. surers, including Medicaid programs in six And the most aggressive public in-

WAC-the Wholesale Acquisition Cost actually paid by medical-care providers. They now base their drug payments on

fooling around with that price," Then the manufacturers will just start however, that this won't end the game. Blue Book editor Edelstein warns,

saying: "This is the house that etoposide built." Someday, he expects to see a plaque pharmacist, the bonanza drug is etoposide. For now, says Fanning, the ChemoLab